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Remarks:

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

Executive Registry
83-3139

June 17, 1983

MEMORANDUM FOR MR. CHARLES HILL
Executive Secretary
Department of State

COLONEL JOHN H. STANFORD
Executive Secretary
Department of Defense

[redacted] STAT
Executive Secretary
Central Intelligence Agency

MS. TERESA COLLINS
Chief, Secretariat Staff
Executive Secretariat
United States Information Agency

SUBJECT: Ambassador Douglas' Proposal

Ambassador Eugene Douglas has proposed the establishment of an NSC Task Force on U.S. Industrial Vitality and National Security (see attached).

We find the proposal worthy of consideration and would appreciate the comments of your department or agency concerning this initiative.

Robert M. Kimmitt
Executive Secretary

Attachment
Tab A Douglas' Proposal

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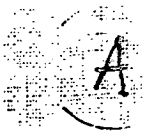

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NSC Task Force on U.S. Industrial Vitality and National Security

A Paper for Discussion

In recent months, foreign economic and technological competition has emerged as a major issue of public debate in the United States. The focus of the debate is on its economic aspect: employment and the balance of trade. Perhaps the more important aspect is that of national security. In a broad sense and in the long run, foreign competition is eroding the viability of the United States as a superpower and as a leader of the Free World. If present trends continue, an important change in the world balance of power with far reaching implications for U.S. national security will take place in the next fifteen years.

Foreign, economic, and technological competition has an immediate significance for U.S. national security. In part as a result of a decline in U.S. technological and industrial vitality and in part because of the growth of the technological strength and competitive vigor of U.S. allies, the U.S. industrial base has been subjected to serious erosion. A broad range of defense sensitive manufacturing and assembly operations have moved overseas. This presents a serious danger of impairing U.S. defense production in the event of a major protracted military conflict and weakens the credibility of the U.S. deterrence posture. Foreign competition has materially curtailed the U.S. mobilization base and its surge capability.

The perception of industrial and economic weakness saps the effectiveness of American foreign policy in general. Moreover, the impact of foreign competition on U.S. employment is imposing specific constraints on U.S. foreign policy. Pressures and counter-pressures of various domestic groups can seriously impede an optimal foreign policy with regard to Japan, produce a reaction abroad, and be seriously damaging to the U.S. national interest.

There is a growing awareness of the relevance of U.S. industrial vitality to national security and of the need for resolving certain aspects of international economic and technological competition as an issue of national security, and not just an economic issue. Recently, a few steps to deal with this subject, directly and indirectly, have been made. Noteworthy among them are:

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1. The establishment of the private Japan-U.S. Wisemen's Group in May 1983.

2. The forthcoming establishment of the President's Commission on Industrial Competitiveness.

3. An agreement between the Departments of Defense and Commerce to conduct a study (under contract) of the impact of foreign competition on the U.S. electronics industry.

4. A decision by the Department of Defense (April 1983) to launch an R&D program on a fifth-generation computer.

The above steps are useful and in the right direction. However, present actions in this area have been usually undertaken on an ad hoc basis by various components of the U.S. Government. They lack an overall coordination, are not comprehensive, and are not always sufficiently time-sensitive. A high-level U.S. Government mechanism is thus needed to ensure that the deleterious impact of economic and technological competition on U.S. national security and foreign policy is dealt with in a timely, well-coordinated, and comprehensive manner.

It is therefore proposed that an NSC Task Force on U.S. Industrial Vitality and National Security, reporting to the Assistant to the President for National Security Affairs, be established. This coordinating/action mechanism will deal with economic and technological competition from both Western Europe and Japan. However, because of the more immediate impact of the Japanese competition, Japan will be addressed first.

For its Phase I (Japan), the composition of the Task Force will be as follows:

H. Eugene Douglas, Chairman (State)
Fred C. Ikle, Vice Chairman (Defense)
William E. Schneider (State)
Norman A. Bailey (NSC)
Stephen W. Bosworth (State)
Gaston J. Sigur (NSC)
Paul D. Wolfowitz (State)
Richard T. McCormick (State)
Charles Z. Wick (USIA)
Harry S. Rowen (CIA)
James P. Wade (Defense)
Richard L. Armitage (Defense)

The specific functions of the Task Force will be:

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1. To identify gaps in the present efforts to counter the deleterious impact of economic and technological competition on U.S. national security and to take and/or recommend specific steps to fill the identified gaps.

2. To interact with the Japan-U.S. Wisemen's Group and design specific means for implementing its recommendations, if and when approved by the President or the Secretary of State.

3. To ensure that, in U.S. Government studies and/or policies dealing with international economic and technological competition and U.S. industrial viability, national security aspects are given due consideration.

4. To initiate such analyses and policies which would be more appropriate for development within the U.S. Government, as distinguished from private bodies such as the Japan-U.S. Wisemen's Group or joint private-Government bodies such as the Commission on Industrial Competitiveness. In particular, the Task Force will examine the avenues through which the concentrated thrust of Japan towards external industrial competition could be modified so as to be more compatible with longer-term U.S. national security, that of the Free World, and of Japan itself. However, insofar as such a modification could be more effectively explored by joint or parallel studies with the Japanese, the Task Force will either initiate such studies or recommend for consideration by another body, e.g., the Japan-U.S. Wisemen's Group.

5. To explore the avenues of inquiry and initiate specific action aimed at the strengthening of the feeling of security on the part of the Japanese through improving their relationship with other nations in East Asia and Western Europe. (This task is related to Task #4 above, insofar as the Japanese economic and technological aggrandizement is motivated by insecurity.)

6. As a concurrent task to the above, to develop policies to systematically engage the Japanese in the international political process with the intent of gaining long-range support by Japan of international stability and the international system.

7. To review from time-to-time the activities and policies within the purview of the Task Force so as to ensure their effective functioning and their consistency with each other.

To accomplish the above tasks, the Task Force will be divided into the following Working Groups:

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